

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
October 27, 2010**

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:59 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Cindy Aronberg for John Chiang, State Controller
Cynthia Bryant for Ana J. Matosantos, Department of Finance

Staff Present: Michael Paparian, Executive Director
Sherri Kay Wahl, Deputy Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Ms. Redway asked if there were any questions or comments concerning the September 22, 2010 meeting minutes. There were none.

Ms. Redway asked if there was a motion.

Ms. Bryant moved approval of the minutes; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT

Mr. Paparian started by introducing the newest member of the CPCFA staff, Giselle Geiger. Giselle will be working as an analyst in the California Capital Access (CalCAP) and Air Resources Board (ARB) Programs. Giselle most recently worked for the Unemployment Insurance Appeals Board. In addition to her work on CalCAP, staff is hoping to find ways to tap into her experience as a LEED (Leadership in Energy and Environmental Design) Accredited Professional and as a space designer and planner.

Mr. Paparian reported that the ARB Programs in CalCAP are expanding. Staff is in the process of launching a program using ARB American Recovery and Reinvestment Act (ARRA) Funds to provide \$5 million in loan loss reserve contributions for the Off -Road Diesel Equipment Program. The ARB is transferring \$1 million to CPCFA this week. As soon as the money is received, staff expects loans to be enrolled in this program.

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The ARB On-Road Diesel Program is getting a boost from the ARB as well. ARB is now allowing the program to offer lenders a 20% loan loss reserve contribution on their next \$5 million in loans. Lenders have advised staff that this increased contribution will accelerate lending and lower interest rates, and make retrofits financing more feasible.

CalCAP has been appropriated \$6 million in the State budget to increase lending efforts, especially in high unemployment areas. Staff expects the funds to be available within days. With these funds, the CalCAP can restore its historical levels of funding for loans. Staff will be coming back to the Board with further regulatory changes to enhance the program in coming months, including increased loan size and expanded definitions of qualifying small businesses, and other items that will assist in assuring the funds can be used by small businesses throughout the state.

Mr. Paparian further reported that Congress passed legislation allocating federal funds for small business assistance. The legislation said that states will get \$1.5 billion for state capital access and other lending programs. The California share is \$168.8 million. California is the only state to receive over \$100 million.

California's plan is to split these funds between CalCAP and the Small Business Lending Program at the Business, Transportation and Housing Agency (BTH). Each agency will get a little over \$84 million. Staff recently met with BTH and the Department of Finance to review some of the logistics associated with applying for the funds. Yesterday, staff sent a joint *Notice of Intent to Apply* to the U.S. Department of the Treasury. As soon as the Treasury makes the actual application available, staff will prepare and submit it. If everything runs smoothly, the state should get the first third of the California share around the beginning of the year.

All of these changes will result in a rapid and dramatic expansion of CalCAP. Staff expects to process more loan enrollments into the program in the next three years than has been done in the history of the program (since 1994). CalCAP will have enough funds available to assist with over \$1.5 billion in new lending for California small businesses. CalCAP currently has about 50 lenders enrolled in the program and has refrained from marketing due to the limited availability of funds, until now. Staff believes there are about 500 more lenders in California that could benefit from CalCAP. Staff will be contacting every one of them directly and through their associations over the next few months. Staff hopes to double the number of enrolled lenders by next summer.

Mr. Paparian reported that in the California Recycle Underutilized Sites (CALReUSE) Program staff has been very accommodating to the program's grantees and borrowers since the Board approved their projects in November 2008. Between the economic downturn, California's inability to disburse bond funds for a while and other factors, many of the grantees and recipients have been unable to move forward as quickly as they desired. Staff set an October 18, 2010 deadline for awardees to declare they are going to move forward by signing their grant and loan documents, or provide a compelling reason why they need additional time. Mr. Paparian reported that 26 awardees have now signed their agreements.

Only six projects are delayed and staff expects all of these projects, with one possible exception, to move forward within the next few weeks.

Mr. Paparian continued to report that in the Bond program, staff is continuing to see interest from intriguing projects. One such project, an e-waste recycler, is on the agenda today. The CalAg project that the Board heard about last month is continuing to move forward. As part of that project review, he informed the Board that under his delegated contracting authority, CPCFA will be contracting with Forest Economic Advisors, LLC, an independent consultant to conduct a review and verification of a 100-page feasibility study prepared by Stephen Vajda Consulting (SVC) for the CalAg Project. Forest Economic Advisors, LLC will conduct a review of the SVC Report to determine the reasonableness of SVC's findings. A summary of the resulting CPCFA Report may be included in the offering memorandum for the proposed bond issue. The cost of the contract is \$38,500 and will be paid by CalAg at closing.

Mr. Paparian continued that he is also required to inform the Board of other actions taken under his delegated authority. In September he approved amendments to the Indenture for Air Products to add an additional interest rate mode. This allowed the company to take advantage of an AMT to non-AMT conversion.

4. BUSINESS ITEMS

Ms. Redway explained that the first business item is a staff recommendation regarding wastewater technology. One of the projects being considered is a technology that has not yet been funded by CPCFA and is allowed in the statute. As a result, staff prepared a technology review for Board policy consideration.

A. CONSIDERATION OF STAFF RECOMMENDATION REGARDING FINANCING PROJECTS USING WASTEWATER TREATMENT TECHNOLOGIES

Presented by: Samantha Russell, Analyst

As a matter of policy, should the State allow tax-exempt bonds to be used for projects that use wastewater treatment technologies to remove contaminants from process water? In recent months there has been interest in using tax-exempt bonds to finance projects that use wastewater treatment technologies to remove contaminants from process water.

CPCFA has received a request from Hilmar Cheese Company, Inc., to fund the acquisition, construction, and installation of equipment used to improve and increase capacity to the company's wastewater treatment operations. At the November 19, 2008 meeting, the CPCFA Board approved an Initial Resolution for Hilmar Cheese. Hilmar Cheese is requesting a Final Resolution from the CPCFA Board at today's meeting.

Staff found that there is evidence of pollution control benefits to be derived from tax-exempt financing of qualifying projects using wastewater treatment technologies. Therefore, staff recommends that the Authority direct staff to consider applications for tax-exempt financing of wastewater treatment technology projects and to evaluate each

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application on its individual merits. Staff acknowledges that applications for wastewater treatment projects will be evaluated on their individual public and pollution control benefits (including climate change, air quality and water quality), financing structure, and legal status. Applications for wastewater treatment projects will be subject to the same degree of scrutiny by staff and by counsel, and subject to the same standards of documentation, as other applications received.

Ms. Redway asked if there were any questions or comments from the Board or public.

Ms. Redway and Ms. Bryant complimented the report by saying it was very well done and they enjoyed it.

Ms. Redway asked if there were any further comments from the Board, or the public. There were none.

Ms. Redway asked if there was a motion.

Ms. Bryant moved approval of the item; upon a second, the item was unanimously approved.

B. REQUEST TO APPROVE INITIAL RESOLUTIONS REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS

1) Amador Valley Industries, LLC

Presented by: Doreen Smith, Analyst

Staff introduced Mark Holmstedt of Westhoff, Cone & Holmstedt.

Staff requested approval of an Initial Resolution for an amount not to exceed \$5,615,000 to finance the acquisition of land and buildings, improvements to the site, and the acquisition of equipment for project sites located in Livermore and Pleasanton. The company provides refuse, collection, transfer and disposal services in Alameda County.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none.

Ms. Redway asked if there was a motion.

Ms. Aronberg moved approval of the item; upon a second, the item was unanimously approved.

2) ECS Refining, Texas, LLC

Presented by: Samantha Russell, Analyst

Staff introduced Tony Cone of Westhoff, Cone & Holmstedt.

Staff requested approval of an Initial Resolution for an amount not to exceed \$25,000,000 to finance the purchase of two site locations in Stockton and Santa Clara, and various equipment for improvements. The company is an electronic scrap and solder dross (a soldering waste product) recycling facility that services northern California and Texas.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none.

Ms. Redway asked if there was a motion.

Ms. Bryant moved approval of the item; upon a second, the item was unanimously approved.

C. REQUEST TO APPROVE AMENDMENT OF INITIAL RESOLUTION REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS

1) Recycling Industries, Inc.

Presented by: Doreen Smith, Analyst

Staff introduced Tony Cone of Westhoff, Cone & Holmstedt.

Staff requested approval of an amendment to Initial Resolution Number 04-17 for an amount not to exceed \$6,260,000 to finance land and building acquisition, building rehabilitation and equipment purchases in North Highlands.

The Initial Resolution was approved on December 14, 2004 for an amount not to exceed \$4,525,000. The resolution was restated and amended on November 18, 2009 for an amount not to exceed \$5,780,000. The company is currently requesting an amendment to the Initial Resolution for a new project location, and to increase the amount of the Initial Resolution.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none.

Ms. Redway asked if there was a motion.

Ms. Aronberg moved approval of the item; upon a second, the item was unanimously approved.

D. REQUEST TO APPROVE FINAL RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS AND TO APPROVE TAX-EXEMPT VOLUME CAP ALLOCATION

1) Hilmar Cheese Company, Inc.

Presented by: Samantha Russell, Analyst

Staff introduced Burt Fleischer of Hilmar Cheese Company, Inc. and Jason Grubbs of W.R. Taylor and Company, LLC.

Staff requested approval of a Final Resolution and Volume Cap Allocation Resolution for an amount not to exceed \$9,695,000 to finance the cost of acquisition, construction and installation of equipment used to improve and increase capacity to the company's wastewater treatment operations. The project is an expansion and enhancement to an existing preliminary, secondary and tertiary wastewater treatment plant including facilities related to the ultimate disposal of the treated effluent in Merced County.

Ms. Redway asked if there were any questions or comments from the Board or public.

Ms. Aronberg stated that she is aware there was some controversy surrounding the company and its past practices, apart from the California Water Board's permit issues. She has not heard from any of the company's neighbors or public interest groups. She asked staff if any comments concerning the project were received.

Mr. Paparian responded no.

Ms. Russell added that no one has contacted staff directly, and that staff had found information about the company on its own.

Ms. Redway asked if there were any further comments from the Board, or the public. There were none.

Ms. Redway asked if there was a motion.

Ms. Bryant moved approval of the item; upon a second, the item was unanimously approved.

E. REQUEST TO APPROVE AMENDMENT OF TAX-EXEMPT VOLUME CAP ALLOCATION RESOLUTION

1) Crown Disposal Co., Inc. and South Bay Recycling, LLC

Presented by: Samantha Russell, Analyst

Crown Disposal Company, Inc. and South Bay Recycling, LLC and/or their respective affiliates received \$25,640,000 in tax-exempt volume cap allocation from

the CPCFA board on August 25, 2010. During the bond closing process, it was brought to the attention of the company that a small piece of the project did not qualify for allocation under federal tax law. This being the case, the company issued bonds for \$23,640,000 of the \$25,640,000 allocated.

Pursuant to California Debt Limit Allocation Committee's (CDLAC) statute, the performance deposit of an applicant must be forfeited in proportion to the amount of allocation awarded but not actually issued. To avoid a forfeit staff recommends amending the current Volume Cap Allocation Resolution for the company to reflect the actual amount used—\$23,640,000.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none.

Ms. Redway asked if there was a motion.

Ms. Aronberg moved approval of the item; upon a second, the item was unanimously approved.

F. REQUEST FOR APPROVAL OF A BOND ISSUANCE DATE EXTENSION

1) BioFuels Energy, LLC

Presented by: Doreen Smith Analyst

BioFuels Energy, LLC and/or its Affiliates received \$14,800,000 in tax exempt bond allocation from the CPCFA board on June 23, 2010. The Allocation Resolution states that the Bonds for the project must be issued by CPCFA by the close of business on September 23, 2010. Per the company's request, the CPCFA Executive Director, under his Delegation Authority and CDLAC procedures, extended the expiration date to October 27, 2010.

The company requested an additional extension to the bond issuance date. Based on the project's circumstances and in accordance with CDLAC procedures, this project qualifies for an extension of the issuance deadline to January 25, 2011.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none.

Ms. Redway asked if there was a motion.

Ms. Bryant moved approval of the item; upon a second, the item was unanimously approved.

G. CONSIDERATION AND APPROVAL OF PROPOSED INCREASE IN CPCFA MATCHING CONTRIBUTION TO LOSS RESERVE ACCOUNTS FOR NEW ENROLLED LOANS IN THE CALCAP PROGRAM

Presented by: Kamika McGill, Analyst

Staff requested approval to increase the matching contributions currently made by the Authority to its Participating Financial Institutions' (PFI) Loss Reserve Accounts in anticipation of receiving Federal and State Funds. Upon approval and receipt of Federal and/or State Funds, CalCAP will increase the matching contributions from 2% - 3.5% to 4% - 7%.

Ms. Redway asked if there were any questions or comments from the Board or public.

Mr. Paparian said that staff is currently working through an issue regarding how the statute is worded. Staff may have to delay the increased contributions for facilities in high unemployment areas, unless there is a statute change. The statute wording may leave those areas at the current level of funding until staff can seek a change. Staff is working with the Legal Office to address this issue. Staff may end up with a situation where some areas are not able to benefit from the State funds, unless there is a statute change. The Federal funds may be a different story.

Ms. Redway asked if the new regulations being considered would go into effect today, or was staff just seeking permission from the Board to raise the amount of funds that are actually available?

Ms. McGill responded that this is not a regulation change. This ability is in the statute. Staff is anticipating regulation changes in November regarding business size and loan size that the program will allow to a business. What is presented now is a request for direction.

Ms. Redway asked if in terms of the regulations, the funds could be raised when ready?

Mr. Paparian said that as soon as the program has access to the money that was allocated in the State budget, it should be a matter of days. He said that although the statute allows this action without coming to the Board, given the amount of money involved, he felt more comfortable coming to the Board for direction.

Ms. Redway asked if there were any further comments from the Board, or the public. There were none.

Ms. Redway asked if there was a motion.

Ms. Bryant moved approval of the item; upon a second, the item was unanimously approved.

H. APPROVAL OF 2011 MEETING CALENDAR

Presented by: Michael Paparian

Staff requested approval of the proposed 2011 meeting schedule presented below.

Month	Day	Time	Date
January	Tuesday	11:00 a.m.	01/25/2011
February	Tuesday	11:00 a.m.	02/22/2011
March	Tuesday	11:00 a.m.	03/22/2011
April	Tuesday	11:00 a.m.	04/26/2011
May	Tuesday	11:00 a.m.	05/24/2011
June	Tuesday	11:00 a.m.	06/28/2011
July	Tuesday	11:00 a.m.	07/26/2011
August	Tuesday	11:00 a.m.	08/23/2011
September	Tuesday	11:00 a.m.	09/27/2011
October	Tuesday	11:00 a.m.	10/25/2011
November	Tuesday	11:00 a.m.	11/15/2011
December	Tuesday	11:00 a.m.	12/13/2011

Ms. Redway asked if there were any questions or comments from the Board or public. There were none.

Ms. Redway asked if there was a motion.

Ms. Aronberg moved approval of the item; upon a second, the item was unanimously approved.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 11:25 a.m.

Respectfully submitted,

Michael Paparian
Executive Director